

Stanford University

Campus Restaurants, Cafes and Retail Food Services Master Plan Final Report



Envision Strategies
Final Report
September 30, 2006

Master Plan Goals

Desire for a more intentional approach to meeting the dining needs of non-resident members of the Stanford community.

Specifically:

- Understand the impact of adding new retail locations as desired by various academic constituencies.
- Improve resource utilization (space & capital).
- Provide a “level playing field” & platform for service provider success.



Methodology

Collaborative, Research-Based Approach:

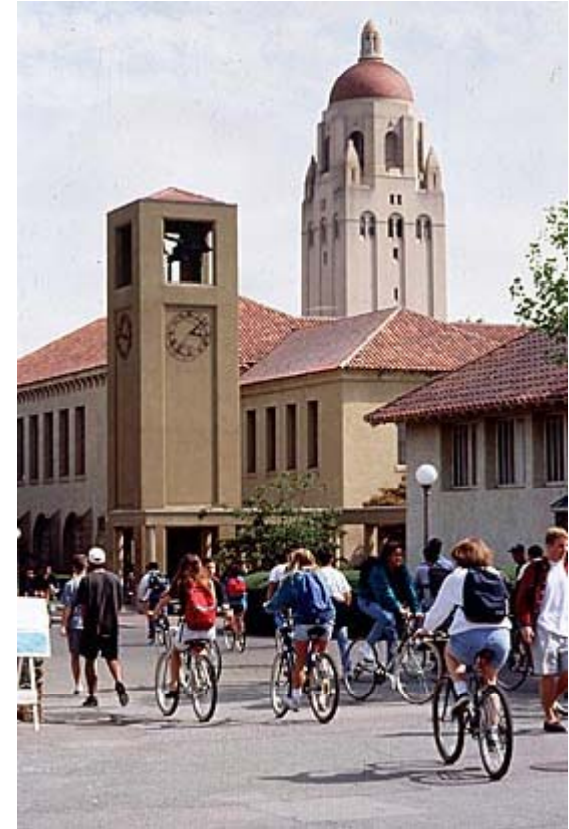
- Steering committee
 - Vice Provost, University Budget Office
 - Vice Provost, Student Affairs
 - Vice Provost for Academic Affairs
 - Associate Vice Provost – R&DE
 - Director of Business Development
 - Director of Capital Planning
- Consultant
 - Envision Strategies



Methodology

Collaborative, Research-Based Approach:

- Observation of current operations
- Data gathering and analysis
- Research on service provider contracts
- Stakeholder interviews
- Comprehensive market research
 - On & Off-Campus Competitive Assessment
 - Focus Groups with Students, Faculty, Staff
 - Quantitative Survey of the Community
(statistically valid sample)



Research Results

Off Campus Restaurants

166 Establishments



- Broad variety of products/service styles/price points
- Little utilization by campus community at lunch
 - Time constraints
 - Most not pedestrian accessible from campus
 - Vehicular use impeded by on-campus parking constraints



Research Results

Campus Restaurant, Cafes & Retail Food Services

- 33 eateries on-campus plus a varying number of food trucks
- Number of locations significantly greater than peers:
 - Harvard +/- 24
 - Cornell +/- 20
 - Penn +/- 8
 - Yale +/- 6
- \$12.5 Million total annual retail revenue (estimated)



Research Results

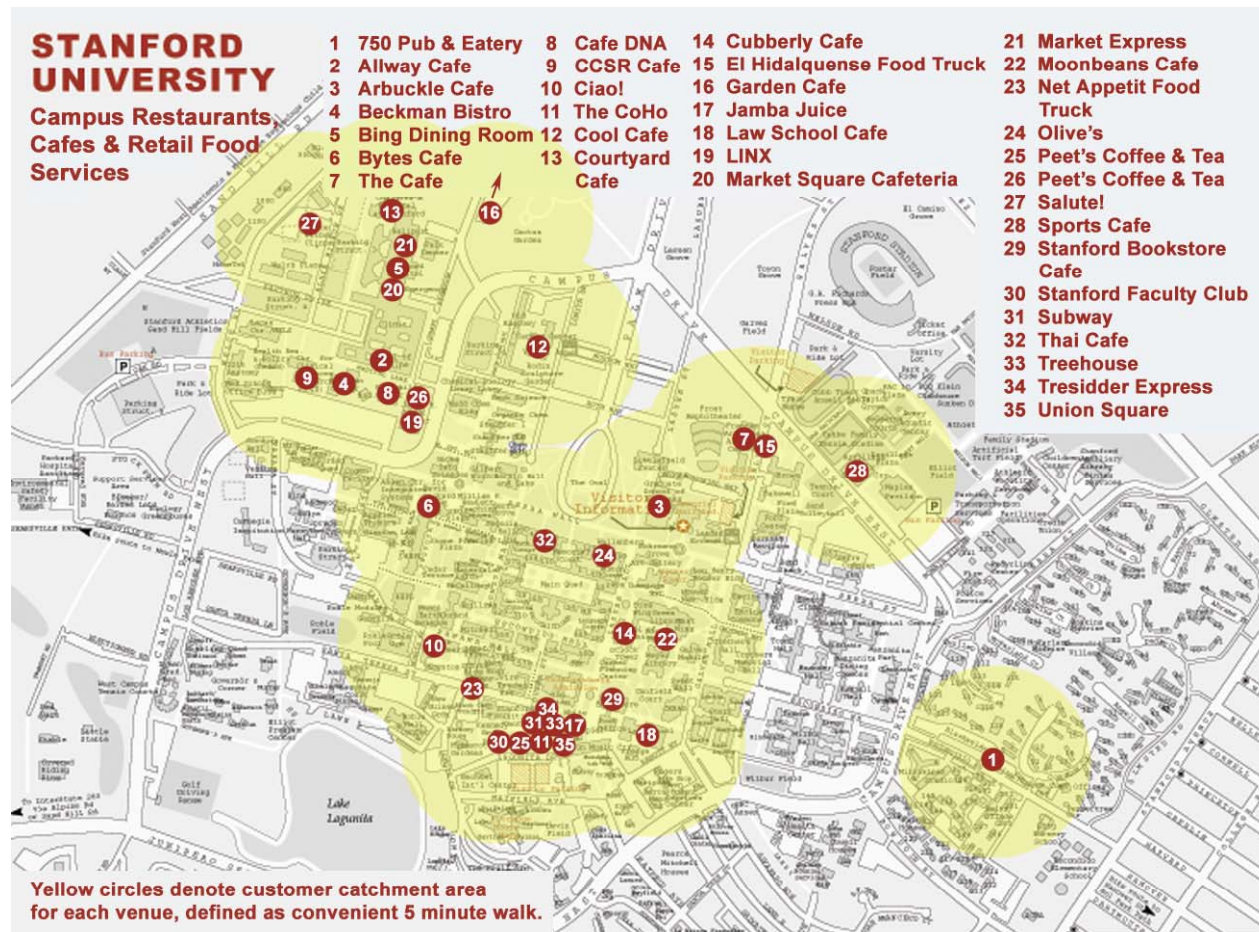
Campus Restaurant, Cafes & Retail Food Services

- Annual per capita retail spend of \$495.00/person is high compared to other schools for whom we have conducted research (+/- \$250/person more typical)
- Factors impacting higher than typical spend likely include (in estimated order of magnitude):
 - Strong convenience orientation of population (time sensitive)
 - Lack of conveniently accessible off-campus options
 - Proliferation of accessible on-campus choices
 - Higher prevailing restaurant prices in California



Research Results

Campus Restaurants, Cafes & Retail Food Services



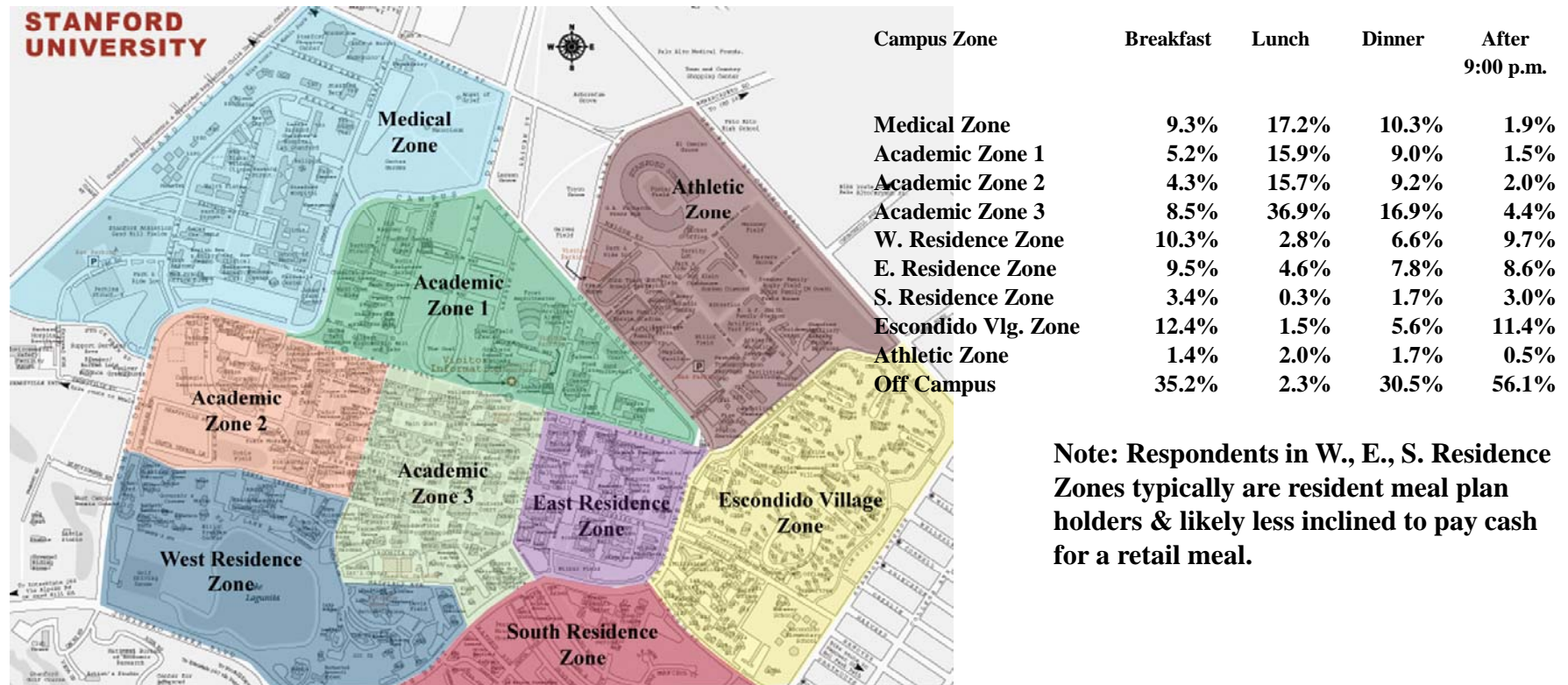
- Most academic zones of campus offer multiple convenient options.
- Greatest venue density is in Medical zone & White Plaza areas



Research Results

Population Density

(% of Survey Respondents in Each Zone at Meal Times)



Highest daytime population density is at lunchtime in Medical and Academic Zones 1-3.



Research Results

Market Capture (based on survey results)

Four Types of Customers

- Demanding
- Less Discerning
- Convenience oriented
- Health oriented

Purchasing Behavior

	Breakfast	Lunch	Dinner	After 9:00 p.m.
Obtained Meal at Residential Dining	3.2%	10.0%	12.3%	5.9%
Purchased Retail Meal On Campus	7.8%	49.3%	6.6%	3.6%
Purchased Retail Meal Off Campus	0.7%	2.8%	5.9%	3.4%
Brown Bagged the Meal	7.9%	22.7%	3.6%	1.5%
Ate at the Meal at Home	57.4%	11.1%	68.2%	51.6%
Skipped the Meal	22.7%	2.2%	1.7%	32.7%
Other	0.3%	1.9%	1.7%	1.3%
Total:	100.0%	100.0%	100.0%	100.0%
Average Spend On Campus:	\$3.28	\$6.23	\$6.98	
Students	\$3.25	\$6.11	\$6.84	
Faculty	\$3.08	\$6.55	\$8.24	
Staff	\$3.33	\$6.37	\$7.41	
Average Spend Off Campus:	\$5.03	\$7.36	\$11.76	
Students	\$4.49	\$6.97	\$10.44	
Faculty	\$5.16	\$9.12	\$12.39	
Staff	\$5.21	\$8.02	\$12.20	



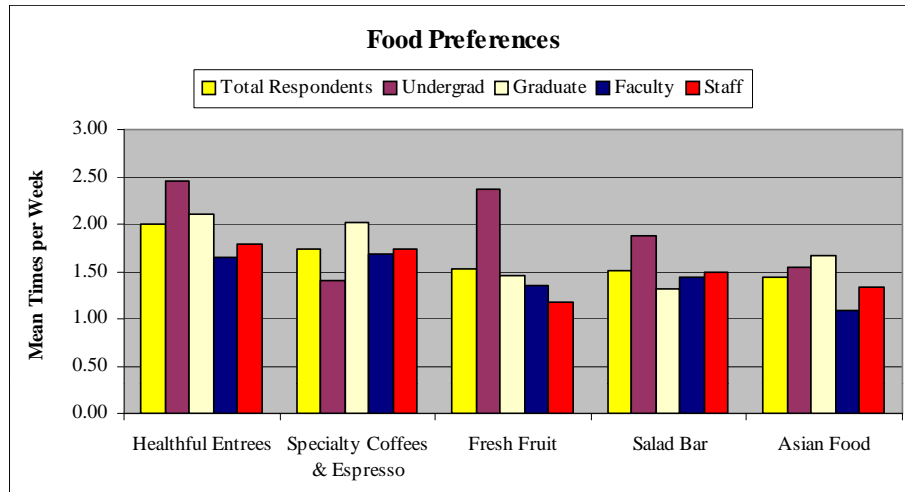
Research Results

Market Capture (cont.)

- On-campus retail lunch capture (49.3%) is very high in comparison to peers, particularly considering that virtually all undergraduates are meal plan holders.
- Very few purchasing meals off-campus at breakfast or lunch.
- Student lunch spend is similar on-campus & off-campus.
- Most influential factors for selecting food venues:
 - Quality food
 - Price
 - Convenience

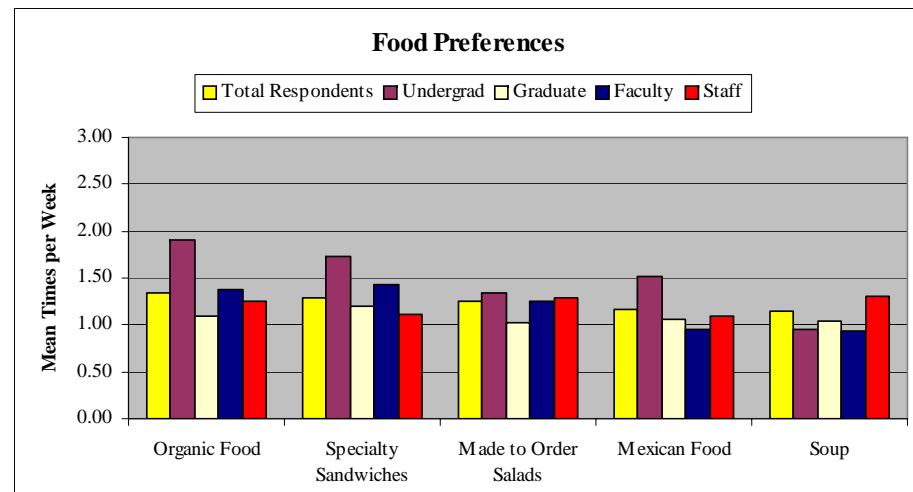


Research Results



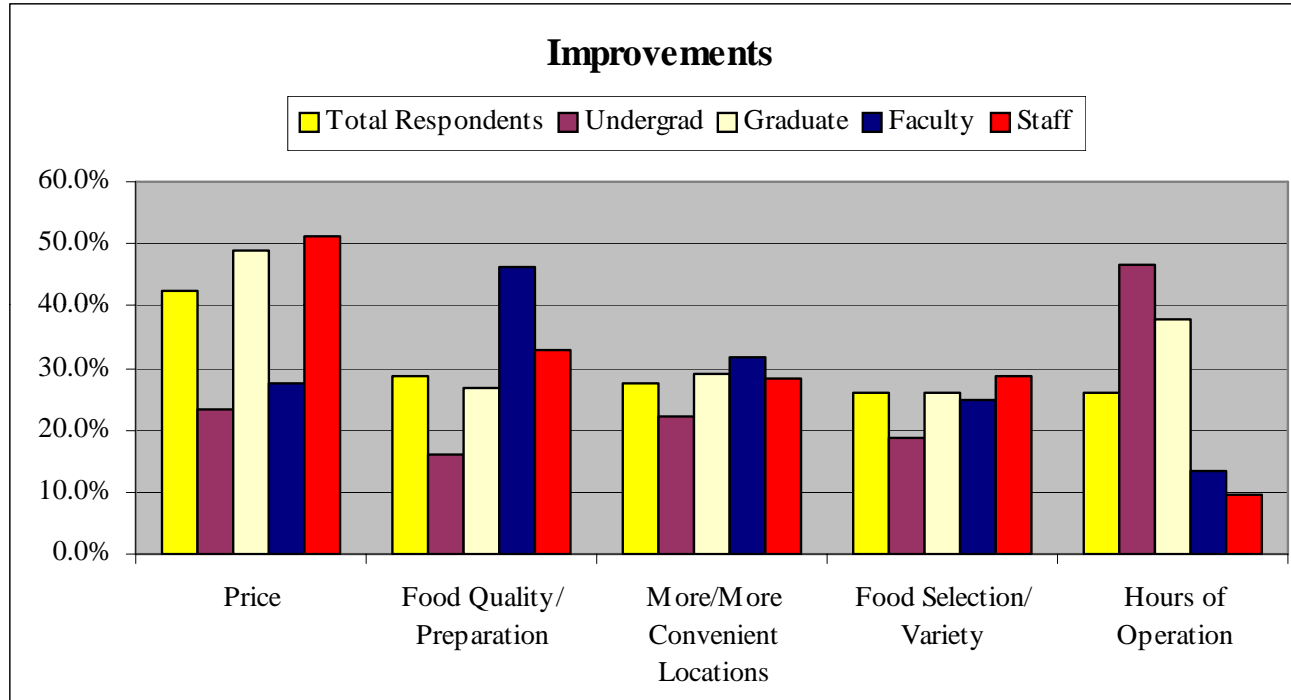
Based on survey results, the community exhibits preferences for:

- Healthy options
- Specialty coffee/espresso
- Asian & Mexican ethnic foods



Research Results

Most Desired Improvements (Based on Survey Results)



- Lower prices most important to older students and staff.
- Extended hours of operation (evenings, weekends) most important to undergraduates, followed by increased meal plan acceptance across retail locations.
- Faculty most desire improvements to food quality/variety & convenience.



Research Results

On-Campus Service Provider Issues

- Some report experiencing financial instability.
- Perception that “Landlords” have unrealistic expectations and aren’t always good partners in seeking a “win/win” relationship.
- Inadequate planning of physical plant infrastructure requirements for food service.
- Concern at ongoing development/proliferation of restaurants, cafes & retail operations on campus.
- Concern over unfair advantage of food trucks (“free rent”, no capital investment requirement, no operational oversight).



Research Results

On-Campus Retail Food Service Contracts



- Wide variations in contract structure
 - Flat Rent
 - Percentage Gross
 - Minimum + % Gross
 - Percentage Thresholds
 - Seasonal Variations
 - Utilities In/Out
- No profit sharing
- Broad range of contract terms (4-10 Years)
- Decentralized oversight post-contracting



Conclusions

- Market is at or near saturation:
 - Blanketed coverage in Medical & Academic zones
 - Market capture and per capita spending are high
 - Some operators report experiencing financial instability
- Desire for additional locations/service is outpacing financial viability.
- Little consistency in the University's expectations of service providers:
 - Financial structure/relationship
 - Capital investment
 - Payment of property taxes
 - Payment of utilities/custodial, etc.
 - Hours of service
 - Mixed message on priorities
- No intentional mechanism for oversight.



Conclusions

- Purchase decisions influenced by:
 - Convenience
 - Price
 - Food type/quality
- Market is significantly price conscious, particularly graduate students & staff.
- Food trucks offer an attractive price point but lack of oversight/control is problematic.
- Faculty & staff appear to be the most underserved:
 - Time challenged
 - Price sensitive
- Purchase behavior of undergraduate students driven by meal plan and will generally impact retail volume only to the extent allowed by plan configuration.



Recommendations/Next Steps

1. Form an Ad Hoc Advisory Committee
2. Develop University management tools for café and retail food service on campus
 - Viability Analysis
 - Contract Guidelines
3. Address emergent café and retail issues



Recommendations/Next Steps

1. Ad Hoc Advisory Committee

- Reporting to the Provost, as part of Capital Plan process
- Core Composition:
 - Provost's Office
 - Capital Planning
 - University Architect's Office
 - Student Affairs
 - Budget Office
 - R&DE
- Core Mission:
 - Advisory body regarding cafes on campus
 - Provide outreach/education/management tools/contract guidelines to campus community



Recommendations/Next Steps

2. University Management Tools

Viability Analysis for proposed new café venues

- Highest and best use of space (GUP constraints)
- Cost of University provided space and support requirements relative to rental income offsets
- Risk of failure and associated redevelopment cost
- Potential for negative impacts on service and quality in the event of over-saturation of market

(Capital Planning, R&DE and Budget office to assist in all of the above)



Recommendations/Next Steps

2. University Management Tools (cont.)

Contract guidelines relative to:

- Rent structure
- University provided services
- Payment of utility costs, custodial costs, property tax, etc.
- Capital investment requirements
- Financial reporting requirements
- Market driven operating standards
- Health standards
- Wages
- Food trucks



Recommendations/Next Steps

3. Address Emergent Issues

- Old Union Café
- SEQ 2 Area
- School of Medicine area



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